

Testimony in favor of SB 455 to Cap Deferred Deposit and Title Loan APR's.

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As a financial educator at homeWORD, in every class of adults seeking better financial management skills many have stories to tell about how their lives have been negatively affected by payday and title loans. They tell me that they never expected to get trapped in these loans, unable to pay down the original amount borrowed. Many of my students are appalled and angry when we calculate the true APRs together in class, 500-600%. The APR's were not disclosed to them when they took out the loans. When we talk about how credit card APR's are capped at 36%, they always ask why payday and title loan APR's are not also capped.

The entire loan amount of a payday loan is due in full in 2 weeks. This forces people who do not have \$200-\$300 extra in their paycheck to take out another payday loan, often from a different company to pay off the first. They are now trapped having to continue taking out one to pay the other and each time paying the excessive fees. One client was paying \$150 per month in fees/interest alone, never able to touch the principle for over a year.

The profits that payday and title loan companies make are exorbitant and are exploiting vulnerable Montanans. These loans do serve a purpose but the profits need to be reasonable. Credit card companies make plenty of profit with 36% APRs and so I ask you not to believe the scare tactics of these lenders who claim they would be run out of business. I strongly urge you to pass this much needed bill that would so greatly benefit our economies and families.